

**COVER PAGE**

**Wisconsin Power and Light Company**

**Docket 6680-UR-117**

**Second Corrected Exhibit 3.16 (Lane Kollen)**

**Response of  
Wisconsin Power and Light Company  
to  
The Public Service Commission of Wisconsin  
Data Request No. RAM-22**

Kollen Exhibit 3.16

Public Service Commission of Wisconsin  
RECEIVED: 09/28/09, 2:23:00 PM

Docket Number: 6680-UR-117  
Date of Request: May 15, 2009  
Response Due: May 29, 2009  
Information Requested By: Ron Manke  
Date Responded: May 20, 2009  
Author: Marty Seitz / Ted Smith  
Author's Title: Mgr II Fin Planning & Analysis / Lead Analyst II  
Author's Telephone No.: (608) 458-3363 / (608) 458-3472  
Witness: (If other than Author)

---

**Data Request No. RAM-22:**

Amortizations

Please provide support for the ARO deferral in the amount of \$1,178,446.

**Response:**

Please see the attached file [**Attachment A, RAM-22 ARO.xls**] for the ARO deferral detail. These amounts were recorded on the balance sheet of WPL in accordance with the attached accounting letter [**Attachment B, RAM-22 ARO response - December 13, 2003.pdf**] received from the Public Service Commission of Wisconsin dated December 13, 2003.

# Wisconsin Power and Light

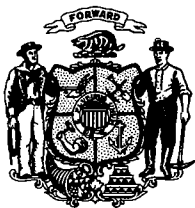
## RAM-22 ARO

### 6680-UR-117

#### ARO Balance by FERC Account

101	10,624,286
118	(4,722,443)
182	13,372,250
230	(18,095,647)
	<u>1,178,446</u>

	101	118	182	230	LTD Expenditures	
044304 EDG 345 CAP I-43 LANDFILL CAP	-	-	-	76,736	76,736.43	E3170:Production Plant
007888 ROR 1&2 CAP ASH LANDFILL CLSRE	-	-	-	661,915	661,914.77	E3170:Production Plant
024627 FAS 143 ARO ROCKRIVER LANDFILL	124,612.71	(124,612)	662,803	(658,341)	4,461.74	E3170:Production Plant
041602 FIN 47 BLACKHAWK 3 ASBESTOS	516,746.49	(516,746)	643,914	(643,847)	67.08	E3170:Production Plant
041603 FIN 47 BLACKHAWK 4 ASBESTOS	500,854.69	(500,855)	624,167	(624,086)	80.47	E3170:Production Plant
041604 FIN 47 COLUMBIA 1 ASBESTOS	3,963.63	(3,586)	11,491	(11,868)	-	E3170:Production Plant
041605 FIN 47 COLUMBIA 2 ASBESTOS	3,875.19	(3,068)	10,790	(11,597)	-	E3170:Production Plant
041609 FIN 47 EDGEWATER 3 ASBESTOS	765,755.63	(765,756)	2,251,757	(2,215,341)	36,416.14	E3170:Production Plant
041610 FIN 47 EDGEWATER 4 ASBESTOS	147,943.35	(147,943)	431,462	(417,149)	14,313.11	E3170:Production Plant
041611 FIN 47 EDGEWATER 5 ASBESTOS	5,990.67	(3,794)	15,719	(17,916)	-	E3170:Production Plant
041621 FIN 47 NELSON DEWEY 1 ASBESTOS	457,245.09	(457,245)	1,338,805	(1,195,357)	143,447.50	E3170:Production Plant
041622 FIN 47 NELSON DEWEY 2 ASBESTOS	442,329.06	(442,329)	1,293,552	(1,151,455)	142,097.38	E3170:Production Plant
041628 FIN 47 ROCK RIVER 1 ASBESTOS	666,295.29	(666,295)	1,950,102	(1,949,927)	174.41	E3170:Production Plant
041629 FIN 47 ROCK RIVER 2 ASBESTOS	707,097.74	(707,098)	2,072,691	(2,043,910)	28,780.47	E3170:Production Plant
041643 FIN 47 EDGEWATER LANDFILL	178,032.89	(62,257)	127,915	(243,692)	-	E3170:Production Plant
041644 FIN 47 COLUMBIA LANDFILL	104,556.28	(28,515)	348,760	(424,801)	-	E3170:Production Plant
041717 FIN 47 COLUMBIA AGST	17,097.87	(15,426)	91,500	(93,173)	-	E3170:Production Plant
041718 FIN 47 EDGEWATER AGST	15,162.45	(10,567)	57,905	(62,500)	-	E3170:Production Plant
041719 FIN 47 NELSON DEWEY AGST	9,290.98	(6,012)	28,841	(32,120)	-	E3170:Production Plant
055452 CEDAR RIDGE ARO COST ESTIMATES	5,664,336.63	-	-	(5,664,337)	-	E3170:Production Plant
041720 FIN 47 ROCK RIVER AGST	33,220.21	(33,209)	178,086	(166,342)	11,755.11	E3470:Other Prod Plant
041721 FIN 47 SHEEPSKIN(EDGERTON)AGST	8,830.79	(8,831)	51,371	(51,371)	-	E3470:Other Prod Plant
041722 FIN 47 SOUTH FOND DU LAC AGST	42,966.23	(16,709)	70,985	(97,243)	-	E3470:Other Prod Plant
041723 FIN 47 TURTLE AGST	13,332.07	(13,332)	117,136	(117,136)	-	E3470:Other Prod Plant
041724 FIN 47 WPL PCB	194,749.77	(188,258)	992,499	(940,789)	58,201.14	E3470:Distr Plant
	<u>10,624,285.71</u>	<u>(4,722,443)</u>	<u>13,372,250</u>	<u>(18,095,647)</u>	<u>1,178,446</u>	



# Public Service Commission of Wisconsin

Burneatta Bridge, Chairperson  
Ave M. Bie, Commissioner  
Robert M. Garvin, Commissioner

610 North Whitney Way  
P.O. Box 7854  
Madison, WI 53707-7854

December 13, 2003

Mr. Terry A. Hanson, Vice President,  
Chief Financial Officer and Secretary  
Madison Gas and Electric Company  
133 South Blair Street  
P. O. Box 1231  
Madison, Wisconsin 53701

Mr. Roman Draba, Vice President  
State Regulatory Affairs  
Wisconsin Electric Power Company  
P.O. Box 2046  
Milwaukee, Wisconsin 53201-2046

Mr. John E. Kratchmer, Vice President -  
Controller and Chief Accounting Officer  
Wisconsin Power and Light Company  
4902 North Biltmore Lane  
PO Box 77007  
Madison, WI 53707-1007

Ms. Diane L. Ford, Vice President - Controller  
Wisconsin Public Service Corporation  
700 North Adams Street  
P.O. Box 19001  
Green Bay, Wisconsin 54307-9001

Re: Statement of Financial Accounting Standards (SFAS) No. 143, Accounting for Asset Retirement Obligations (ARO) File 3270  
6630  
6680  
6690

Dear Messrs. Hanson, Draba, Kratchmer, and Ms. Ford:

This is in response to your joint letter dated December 9, 2003, regarding the adoption of the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards (SFAS) No. 143, Accounting for Asset Retirement Obligations (ARO). In that letter you seek assurance that the ARO will neither affect currently recoverable costs nor necessitate a change in ratemaking policy by the Public Service Commission of Wisconsin (PSCW). You also requested specific authorization to record associated regulatory assets or liabilities.

This letter supplements the letter issued on January 9, 2003 under my signature relating to the adoption of SFAS No. 143. As previously indicated, SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs and applies to all entities. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of lessees. The Statement is effective for fiscal years beginning after June 15, 2002 (January 1, 2003, for calendar year companies). SFAS No. 143 requires that the fair value of a liability for an ARO be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. The liability is accreted at the end of each period through charges to operating expense.

Messrs. Hanson, Draba, Kratchmer, and Ms. Ford  
Page 2

The FASB acknowledged that there may be differences between what is required under this Statement and what is most appropriate for rate-making purposes. In recognition of that fact, the FASB determined that if an entity is subject to SFAS No. 71, accounting for the Effects of Certain Types of Regulation, the entity should recognize a regulatory asset or liability for these differences.

In addition to the guidance provided by the FASB within SFAS No. 143, the Federal Energy Regulatory Commission (FERC) issued Order No. 631, Accounting, Financial Reporting, and Rate Filing Requirements for Asset Retirement Obligations (Docket No. RM02-7-000) on April 9, 2003. The FERC ruling leaves the jurisdictional rate setting process unchanged and provides that if the requirements of Order No. 552 are met, a jurisdictional entity must recognize regulatory assets and liabilities for the cumulative effect adjustment and any differences between the recognition of asset retirement obligation expenses for financial accounting purposes and their recovery in rates. In this instance, the PSCW understands that the relevant accounting rules require that companies obtain evidence, such as PSCW approval, in order to recognize a regulatory asset or liability. Recording the difference between retirement costs determined for ratemaking and under SFAS 143 as a regulatory asset or liability more accurately reflects the company's current circumstances with regard to retirement of these assets.

Your request to establish a regulatory asset or liability account to record the cumulative adjustment as of January 1, 2003, and the differences in ongoing expense recognition under SFAS 143 for ARO costs and ratemaking practices for retirement costs is authorized for as long as the retirement obligations of such assets continue to be regulated by the PSCW. This authorization is for accounting purposes only and does not bind the Commission to any specific treatment for this item in any future proceeding involving rates or other matters before the Commission.

Since ratemaking procedures remain unchanged at this time, the cost of removal of utility plant will continue to be a part of depreciation rates established by this Commission regardless of whether it includes a legal asset retirement obligation as defined by SFAS 143. The assurance in this letter that the Commission's ratemaking procedures remain unchanged does not preclude the Commission from reviewing its ratemaking procedures in the future. If there is interest in adopting SFAS 143 for ratemaking at some time in the future I would anticipate that a formal investigation would take place.

Sincerely,



Robert Norcross  
Administrator  
Electric Division

RDN:ccs:mem:L:\LetterFAS 143 supplemental letter.doc

cc: Candice Spanjar